Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of:	
High-Cost Universal Service Support	WC Docket No. 05-337
Federal-State Joint Board on Universal Service	CC Docket No. 96-45
Lifeline and Link Up	WC Docket No. 03-109
Universal Service Contribution Methodology	WC Docket No. 06-122
Numbering Resource Optimization	CC Docket No. 99-200
Implementation of the Local Competition Provisions in the Telecommunications Act of 1996	CC Docket No. 96-98
Developing a Unified Intercarrier Compensation Regime	CC Docket No. 01-92
Intercarrier Compensation for ISP-Bound Traffic	CC Docket No. 99-68
IP-Enabled Services	WC Docket No. 04-36

REPLY COMMENTS OF
j2 GLOBAL COMMUNICATIONS, INC.

j2 Global Communications, Inc. ("j2 Global"), hereby submits its Reply Comments in the above-captioned proceedings.

I. INTRODUCTION AND SUMMARY

As j2 Global has described in previous filings, it offers free limited voicemail and fax delivery services that utilize phone numbers.[1] If the Commission adopts a numbers-based contribution methodology, those free services will no longer be sustainable unless they receive an exemption. The result would be a loss of utility for the free service subscribers with no countervailing benefit for universal service revenue purposes because the numbers will be taken out of service. As a result, we believe that sound public policy would exempt the numbers used in conjunction with j2 Global's free service from a contribution requirement.

j2 Global recognizes and supports the importance of the Universal Service Fund in providing support to rural and other areas in the United States that are difficult to serve. The free services that j2 Global provides are also valuable to a variety of end-users such as unemployed people using the service as a job search tool, deployed military service members using the service to have faxes and voicemails delivered to their e-mail inboxes, and small start-up businesses using the service until they have sufficient growth to justify more extensive service. These services also have been used by and marketed to those faced with a natural or man-made disaster to help them continue to communicate.

Certainly, providing for ongoing and sufficient universal service support is important and necessary. However, providing for this goal should not, and does not need to, come at the expense of providers such as j2 Global and its free service customers. If the Commission is

[1] j2 Global offers free voicemail and fax to e-mail message services on a low-volume basis. Customers may use up to 20 minutes of voicemail time, receive 20 pages of faxes, or combine the two services and use a maximum of 20 units of either service. In this sense, j2 Global's services bear a conceptual resemblance to low-volume prepaid wireless services. *See also ex partes* from j2 Global, WC Docket No. 06-122 and CC Docket No. 96-45 (filed Oct. 21, 2008, Sept. 30, 2008, Nov. 12, 2007, July 27, 2007).

determined to adopt a numbers or other connections-based approach, services which are offered at minimal or no cost to consumers should be exempted.

In the alternative, if the Commission determines that these services cannot be exempted, j2 Global respectfully submits two proposals designed to ameliorate unintended and unnecessary consequences stemming from proposed changes in the Universal Service Fund contribution methodology.

II. IF THE COMMISSION ABANDONS REVENUE-BASED ASSESSMENTS, J2 GLOBAL'S FREE MESSAGING SERVICES, AND THOSE LIKE IT, SHOULD BE EXEMPTED.

If the Commission determines to impose a numbers-based contribution methodology, independent messaging service providers, or more generally, service providers offering stand-alone services that rely on telecommunications, at minimal or no cost to the consumer, should be specifically exempted from assessment. Failure to exempt these service providers would be contrary to the public interest because it would impose costs in the form of discontinued service, but would not produce any offsetting benefit.

The administrative costs associated with differentiating these numbers for assessment purposes would be minimal and it would ensure consumers' continuing enjoyment of these services. However, if the Commission adopts one of the proposed contribution methodologies and fails to exempt services with a zero or *de minimis* monthly unit price, then aside from ultimately depriving consumers of these services, the Commission will have effectively destroyed a business model--free trials--that has brought to market a bevy of new technologies and service offerings that have attracted millions of subscribers and enabled those technologies to be accepted and grow..

III. IF THE COMMISSION ADOPTS A NUMBERS-BASED CONTRIBUTION FORMULA WITH LIMITED EXEMPTIONS, IT SHOULD GRANDFATHER THOSE SERVICES THAT CURRENTLY HAVE NO USF FEES BECAUSE THEY EARN NO REVENUE

In order to continue providing valuable services, j2 Global urges the Commission to grant grandfather protections to existing information services offered to end-users at no cost. Currently, the USF fees contributed as a result of these free services are limited to the pass-through fees that the underlying carriers collect based on their revenue from the telecommunications elements purchased by a service provider like j2 Global. We propose that the Commission use this pass-through amount as the basis for ongoing USF contributions by grandfathered free information services. *By way of example*, a free grandfathered information service may currently pay $400,000 per year in pass-through USF fees to its underlying carriers for the telecommunications elements that make up its free services to 10 million customers. That free grandfathered information service would certify to USAC that it pays 4 cents per free line per year. USAC would then collect that amount in USF fees and, each quarter, USAC would reassess the fee based on the number of Assessable Numbers that are actually deployed for the free services. USAC would also apply an appropriate annual increase for inflation.

This proposal would permit information service providers to continue to offer existing free service models while limiting the risk of abuse of a carve-out or exemption by ensuring that only existing free information services are grandfathered. This would also allow the Fund to continue receiving equivalent payments for numbers used for these free services while ensuring the survival of those services. Further, this formula would not result in a burdensome process for USAC, which would only need to establish the initial amount per line that the grandfathered service pays via pass-through, then input the number of lines actually in use for the free service each quarter.

IV. IF THE COMMISSION ADOPTS ONE OF THE CURRENT USF CONTRIBUTION PROPOSALS, IT SHOULD GRANT A SUFFICIENT TRANSITION PERIOD TO ALLOW COMPANIES TO ADAPT TO THE NEW BURDENS

If the Commission decides not to grandfather existing free information services from a numbers-based USF contribution methodology, j2 Global respectfully requests that the Commission grant a transition period of 30 months after the final rules become effective for implementation of any new contribution methodology. In a joint filing on October 20, 2008, AT&T and Verizon correctly observed that if their numbers-based contribution proposal is adopted, "users of DID arrangements that receive large blocks of numbers may see an increase in their USF contribution. As a result, some of these consumers may begin to return unutilized numbers or reconfigure their services to use fewer numbers."[2]

j2 Global would have to eliminate its free services to approximately 8.5 million US customers in the event of a numbers-based contribution requirement. In addition to returning the numbers used for the free services, AT&T and Verizon correctly predict that a result of the numbers-based contribution methodology would be a return of numbers that are currently in inventory because they were recently taken back from a customer or are available for immediate take-up by a new customer. Moreover, this new contribution methodology would require j2 Global to communicate with its free customers and afford them either the opportunity to consider transitioning to a paid package of similar services or a reasonable time to make other arrangements to meet their needs. Experience shows that transitioning of customers is an iterative process, made more difficult in j2 Global's case by the fact that it does not have a billing relationship with the free customers.

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[2] *See ex parte* from AT&T and Verizon, WC Docket No. 06-122 and CC Docket No. 96-45 (filed October 20, 2008) ("AT&T/Verizon Proposal") at 5.

As a result, time will be required to revise this piece of j2 Global's longstanding business model. Identical or similar issues doubtless will apply to others as well as to j2 Global.[3]

V. CONCLUSION

For the foregoing reasons, j2 Global respectfully requests that the Commission exempt service providers with a zero or *de minimis* monthly unit price from any assessment. j2 Global fully supports the goals of the Universal Service Fund. However, we urge the Commission not to adopt changes that would unnecessarily eliminate free information services on which millions of U.S. users rely. If the Commission chooses to adopt such changes, j2 Global requests that the Commission either grant grandfather protections to free information services like those offered by j2 Global or establish a 30-month transition period that will allow sufficient time to accommodate the needs of our free customers and to adjust existing telecommunications requirements.

Respectfully Submitted,

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December 22, 2008

[3] *See e.g.*, *Review of the Section 251 Unbundling Obligations of Incumbent Local Exchange Carriers*, Report and Order, 18 FCC Rcd 16978 (2003) at ¶ 700-706; *Unbundled Access to Network Elements*, Order on Remand, 20 FCC Rcd 2533, 2536-37 and 2614 (2005) for examples of past grants of appropriate transition periods.